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A BRIEF

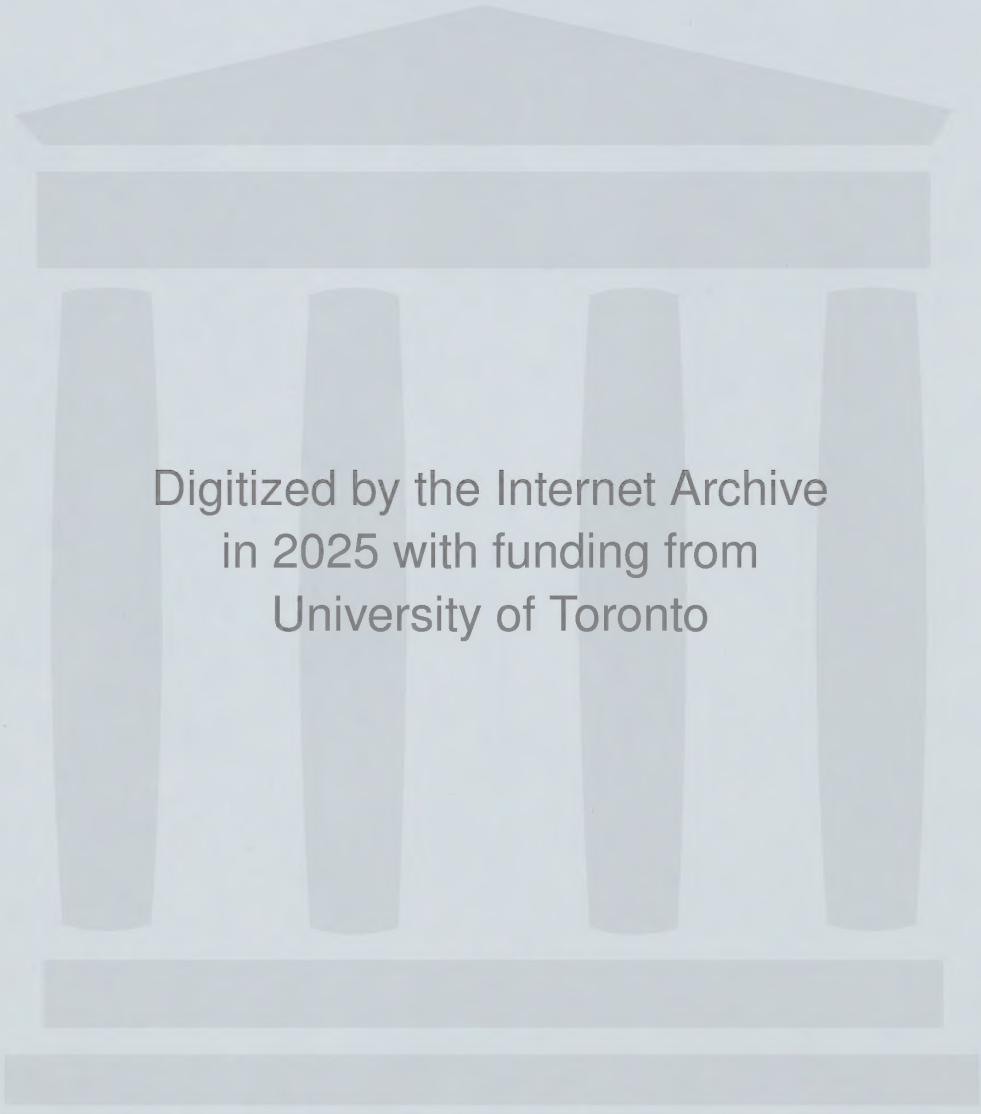
presented by

THE ONTARIO SCHOOL TRUSTEES' COUNCIL

to the

ONTARIO COMMITTEE ON TAXATION

December, 1963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A. Introduction

The Ontario School Trustees' Council is a non-profit corporation created by provincial statute in 1953. Essentially it is a federation of seven provincial school trustee associations including in their membership all types of publicly financed elementary and secondary school boards operating in Ontario. While it has an interest in higher education, and in related cultural activities, its primary concern is with formal education as conducted in the elementary and secondary schools of the province. At the present time approximately fifteen hundred public school boards, separate school boards and secondary school boards are affiliated with the Council. The student enrolment under these boards constitutes more than eighty-five percent of the total enrolment in the elementary and secondary schools of Ontario.

B. Some Aspects of Educational Financing in Ontario

Two of the most significant phenomena of the last two decades have been the ever-expanding school enrolments and the public realization, as a result of the scientific revolution, that education today has developed a dimension which was unknown prior to 1940. As a result of these factors, educational expenditures have increased very rapidly and will continue to increase at an undiminished rate certainly for the next ten years and probably for a much longer period.

The responsibility for financing elementary and secondary school education in Ontario is carried by local boards of school trustees with assistance from the provincial government in the form of

legislative grants which, for the most part, are based upon the principle of equalization of educational opportunity. The percentage contributed by the province has increased substantially in recent years to the point where the provincial grants now approximate 30% of the total provincial expenditure on elementary and secondary education. The remaining 70% is raised by a levy on real property in each of the units of school administration. (This percentage is in reference to the total educational expenditure - not approved costs and represents the average for all school boards.)

Two questions arise with respect to the continuance of local school board dependence upon the real estate tax as its revenue source. Is this source capable of providing the sums which will be required within the foreseeable future, and is it the most equitable method of financing the local education impost? It is our contention that the answer to both questions is in the negative.

With respect to the first question, we believe that there is a limit to the burden which can be imposed upon real property and that present taxes are approaching that limit. Any potential additional revenues which might be derived from this source will be woefully inadequate to meet the sky-rocketing requirements of education, and in any event, will be required for municipal services. Consequently we contend that, unless the provincial government is prepared to increase its legislative grants sufficiently to absorb the forecast increases in educational expenditures, supplementary tax sources must be found for the local school authorities.

One indication that the tax burden on real property is approaching the limit is the concern of municipal councillors that the rising tide of educational expenditures will absorb such a large proportion of the municipal tax dollar that there will be insufficient remaining for the municipal authorities to discharge their responsibilities adequately. School trustees appreciate the validity of their concern but cannot subscribe to the solution to the problem which has been proposed by certain groups of municipal authorities -- namely

that municipal councils be given an element of control over the operating budgets of school boards.

We contend that this proposal is impracticable because there is not distinction in the field of municipal affairs between public school supporters and separate school supporters.

We contend that the claim of the municipal authorities that they "raise the money" for education and hence should have some control over educational expenditures is unfounded. It is true that, for reasons of economy, they act as a collecting agency but the responsibility for the administration of our schools in the case of elected trustees rests where it belongs -- upon the shoulders of those trustees. Approximately five-sixths of the school trustees in Ontario are elected and consequently if the electors are dissatisfied with the services of the trustees they have recourse to the same action as they have when they are dissatisfied with the services of municipal councillors. The remaining one-sixth of the trustees (approximately 2,000) are appointed, for the most part, by the municipal authorities who consequently have an obvious course of action open to them if there is dissatisfaction with the operation of the schools.

We believe that the increases in educational expenditures are almost entirely the result of a number of factors notably the population explosion and we submit that there is no evidence to indicate that the municipal councils would be able to control the situation any better than the trustees.

We believe that any move to reduce the autonomy of the local school boards by granting a measure of control over educational budgets to municipal councils will result in an impairment of our educational standards and that such proposals should be strongly resisted wherever and whenever they arise.

With respect to the second question, we contend that the property tax, while admittedly having some advantages, is not

the most equitable tax for the support of education and that other sources should be found to provide the bulk of the local educational requirement with the real estate tax being employed in a supplementary capacity.

Property taxes should be related to services rendered to property and we believe that education, while a service, is far removed from a property service. Education should be recognized firstly as a service to the individual and secondly as a service to society in general. The advantages of educational opportunities to the individual are obvious. It is not, perhaps, so well-appreciated that there is a direct relationship between the quality of the educational service established in a country and the standard of living attained. Invariably as educational services are improved, the standards of living and of culture are elevated. Limited research in this area indicates that education increases the effectiveness of labour in production and provides external benefits which accrue to various individuals besides the student. This is the principle which led to the establishment of publicly-supported education systems and is one which has been accepted in Ontario since the days of Egerton Ryerson. Accordingly the most equitable tax for the financing of education should be the one with the broadest base and which in its application recognizes the principle of capacity to pay.

We believe that there should continue to be an educational levy at the local level because it is important that there continue to be a large element of local control in the administration of education and such control should carry with it a degree of financial responsibility.

We believe that ultimately the local share should be approximately one-third of the total cost but recognize that it will probably be a long time before this objective is attained. In the meantime ways and means must be found of enabling the local authorities to raise the rapidly increasing sums which will be required.

We believe that the income tax is the tax best suited to finance our educational requirements. It applies to everyone as well as to business and industry. It can be graduated to ensure that the individual is taxed in accordance with his ability to pay. It becomes more productive as individual and business incomes rise and finally it draws its revenue from the sources which benefit from the educational service.

It is recognized that an income tax, levied and collected by a municipal authority has very serious disadvantages. These could, however, be avoided by a supplemental levy under the Federal Income Tax. At the present time the Province of Ontario levies an income tax which is collected as a supplement to the Federal Income Tax. Similarly a municipal income tax sufficient to raise a major portion of the local educational requirement in each unit of school administration could be levied as a supplement to the Federal Income Tax, collected by the Federal authorities, paid to the Government of Ontario and distributed to each educational authority on the basis of the local yield.

One situation which exists in Ontario and which would undoubtedly complicate the distribution of the funds collected under an educational income tax is the plethora of educational administrative units. The establishment of larger units of administration, particularly with respect to the operation of public schools in rural areas, is long over-due. We are firmly of the opinion that progress in this regard will materially improve the standard of educational achievement across the Province.

In the event that arrangements cannot be made with the Federal authorities for the proposed supplemental levy under the Federal income tax we believe that, as an alternative, consideration should be given to the levying of a sales tax the revenue from which will be designated for education.

Because the rate of the proposed educational income tax

must necessarily be uniform for all school boards, it follows that a supplementary tax source to take care of annual and local budget variations will be required. Although consideration should be given to other tax proposals it is probable that the tax on real property would be the most satisfactory and acceptable for this purpose. Most of the objection to its use will be removed as a result of its employment as a supplementary tax rather than the basic tax for educational requirements.

We submit that whatever the sources of financial support for elementary and secondary education the most efficient administration of education affairs will be ensured by maintaining the full autonomy of local school boards.

Recommendations

The Ontario School Trustees' Council urges the Ontario Committee on Taxation to recommend to the Ontario Government --

(a) That the Federal Government be requested to establish a supplement to the Federal income tax for local educational purposes which would be paid to the Ontario Government for distribution to local school boards.

(b) That the rate of the supplementary tax be set sufficiently high to yield on the average, an amount equal to approximately 55% of the total educational expenditure of each elementary and secondary school board.

(c) That, in the event that recommendation (a) above should prove impracticable, consideration be given to underwriting the basic costs of education in Ontario by means of a retail sales tax.

(d) That the Department of Education increase forthwith its legislative grants to 35% of the total provincial expenditure on elementary and secondary school education and that this percentage be increased to 50% as quickly as conditions will permit thus reducing proportionately the amount levied under the supplementary tax mentioned in (b).

(e) That the remaining financial requirements of elementary and secondary boards in the province be raised by a levy upon the real property located in the community over which each board has jurisdiction.

(f) That appropriate measures be taken to accelerate the establishment of larger units of educational administration and of central schools in those sections of the province lying outside the areas of concentrated population.

(g) That the traditional autonomy of Ontario School Boards be maintained.

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